

Message Text

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42

ACTION SS-30

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R 081040Z SEP 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 5063

AMEMBASSY JIDDA

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

USMISSION OECD PARIS

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

S E C R E T TEHRAN 7511

EXDIS

E.O. 11652: GDS

TAGS: ENRG, SA, IR

SUBJECT: CODEL WYATT AND OIL PRICES

REF: TEHRAN 7361, JIDDA 5099

1. IN RESPONSE TO OUR REQUEST FOR AN AUDIENCE WITH THE SHAH ON BEHALF OF CONGRESSMAN WYATT, THE MINISTER OF COURT ADVISED THAT THE SHAH WAS UNABLE TO SEE HIM BUT URGED THAT WYATT MEET WITH MINISTER OF INTERIOR AMOUZEGAR.

WHILE WE DO NOT KNOW WHETHER THE SHAH HAD HEARD OF CONGRESSMAN WYATT'S MEETING WITH SHEIKH YAMANI (JIDDA 5099), IT SEEMED FAIRLY OBVIOUS THAT THE SHAH WISHED CONGRESSMAN WYATT TO BE EXPOSED TO IRAN'S POSITION ON

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OIL FROM ITS LEADING EXPERT.

2. WYATT ACCOMPANIED BY DCM MET AMOUZEGAR MORNING OF SEPTEMBER 7. AFTER A BRIEF EXCHANGE OF PLEASANTRIES, CONVERSATION QUICKLY GOT TO THE SUBJECT OF OIL PRICES. AMOUZEGAR AGAIN WENT THROUGH THE FAMILIAR STORY AND RATIONALE OF HOW THE NEW PRICE OF OIL HAD BEEN ESTABLISHED IN DECEMBER 1973 (AT OR VERY CLOSE TO THE LOWEST COST OF ALTERNATIVE SOURCES OF ENERGY). HE THEN SAID THAT IT WAS NOW IRAN'S DESIRE TO STABILIZE OIL PRICES WITH PERHAPS ONLY SOME MODEST PERIODIC ADJUSTMENT TO KEEP THEM IN ROUGH PARALLEL WITH WORLD INFLATION RATES. IN THIS CONNECTION HE SAID THAT IT WOULD BE IRAN'S POSITION IN THE FORTHCOMING SEPTEMBER 12 OPEC MEETING THAT OIL PRICES SHOULD NOT BE INCREASED. HE NOTED, HOWEVER, THAT SIX ARAB MEMBERS OF OPEC WERE STRONGLY IN FAVOR OF A 14 PERCENT INCREASE TO ADJUST FOR WORLD INFLATION THAT HAD OCCURRED OVER THE LAST NINE MONTHS. HE DOUBTED THEREFORE THAT IRAN WOULD BE SUCCESSFUL IN HOLDING THE LINE AT ABSOLUTELY NO INCREASE BUT EXPRESSED SOME OPTIMISM THAT AN INCREASE COULD BE HELD TO A QTE MODEST-SYMBOLIC UNQTE RISE OF ABOUT TWO PERCENT.

3. AMOUZEGAR WENT ON TO CLAIM THAT IRAN HAD CONSISTENTLY PLAYED A MODERATING ROLE IN OPEC COUNCILS WITH RESPECT TO OIL PRICES. HE COMPLAINED THAT THIS WAS NOT MUCH APPRECIATED PARTICULARLY BY AMERICAN SPOKESMEN AND MEDIA WHO WERE REPEATEDLY PORTRAYING IRAN AS THE ARCH VILLIAN IN RAISING OIL PRICES. WHY, HE ASKED RHETORICALLY, DOESN'T ANYBODY TALK ABOUT VENEZUELAN OIL PRICES OR CANADIAN OIL PRICES, AS THESE COUNTRIES ARE THE MAJOR SUPPLIERS OF US IMPORT OIL. HE WENT ON TO OBSERVE THAT OIL PRICES (AND BY IMPLICATION IRAN) WAS ALSO BEING BLAMED FOR WORLD INFLATION AND MASSIVE BALANCE OF PAYMENTS DISLOCATIONS. WITH RESPECT TO THE FIRST POINT, AMOUZEGAR SAID THAT OECD'S OWN STUDIES INDICATED THAT OIL CONTRIBUTED ONLY 1.5 PERCENT (ON THE AVERAGE) TO THE 14 PERCENT RATE OF INFLATION IN OECD COUNTRIES, THE US, AND JAPAN. IN SPECIFIC REFERENCE TO THE US, HE SAID THE RATE WAS ONLY .04 PERCENT. IT SEEMED TO

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HIM HE SAID THAT THERE WERE MANY OTHER AND PERHAPS FAR MORE SIGNIFICANT FACTORS IN THE INFLATION PICTURE THAN OIL PRICES.

4. AS TO THE LATTER POINT, HE NOTED THAT GERMANY AND JAPAN, TWO OF THE COUNTRIES PRESUMABLY HARDEST HIT BY THEIR OIL IMPORT BILL, HAVE OR ARE LIKELY TO HAVE BALANCE OF PAYMENT SURPLUSES THIS YEAR. OBVIOUSLY, HE SAID

THESE COUNTRIES HAVE MANAGED TO ADJUST AND IRAN IS TRYING TO HELP OTHERS PARTICULARLY AMONG THE LDC'S WHO ARE NOT ABLE TO DO SO IMMEDIATELY.

5. IN A SEPARATE CONVERSATION MINISTER OF COURT ALAM CONFIRMED TO THE AMBASSADOR THAT PRINCE SAUD IBN-FAYSAL HAD SEEN THE SHAH ON SEPTEMBER 2 TO QTE DISCUSS OIL PRICES UNQTE AND ALSO TO CONVEY SAUDI ARABIA'S APOLOGIES FOR REFERRING TO THE PERSIAN GULF AS THE QTE ARAB GULF UNQTE IN A COMMUNIQUE ISSUED AFTER SHEIKH ZAYID'S RECENT VISIT (TEHRAN 7176). WHILE ALAM DID NOT HAVE DETAILS OF THE CONVERSATION, THE AMBASSADOR EXPECTS TO SEE THE SHAH WITHIN THE NEXT DAY OR SO AND MAY LEARN MORE ABOUT IT THEN.
HELMS

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